

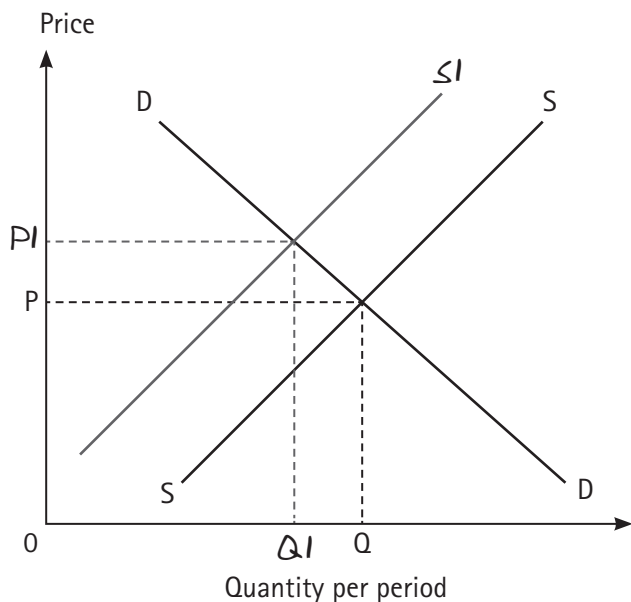
- Use the definitions at the bottom of the page to find the economic terms and concepts they describe in the word jumble below.

M	O	K	P	C	O	N	T	E	S	T	A	B	L	E	Y	V
O	L	F	I	K	W	S	G	T	O	D	E	T	O	C	M	B
J	M	O	N	O	P	O	L	Y	F	I	N	D	M	O	X	A
L	A	S	E	T	R	G	O	A	C	A	R	T	E	D	D	R
Q	R	D	E	S	T	R	U	C	T	I	O	N	F	L	T	R
X	K	C	U	F	D	S	I	N	E	P	A	X	I	U	Z	I
I	E	E	X	P	A	N	S	I	O	N	B	G	B	S	C	E
N	T	S	E	X	T	U	P	L	E	T	N	R	A	I	U	R
E	S	I	D	U	O	P	O	L	Y	X	O	U	C	O	T	S
F	H	T	P	Q	R	Z	S	I	B	C	R	N	D	N	U	T
F	A	O	U	L	Y	I	J	N	C	S	M	T	Y	U	P	O
I	R	P	R	I	C	E	W	A	R	W	A	W	O	T	F	E
C	E	M	E	C	D	E	S	T	R	A	L	O	R	J	O	N
I	K	Y	G	K	N	O	N	P	Y	M	P	A	T	E	N	T
E	C	F	U	U	L	E	G	A	L	W	R	T	O	T	D	R
N	I	A	V	P	O	L	I	G	O	P	O	L	Y	F	U	Y
C	L	C	K	N	J	T	O	R	T	U	F	K	O	U	E	M
Y	F	E	E	O	T	F	Y	P	O	L	I	L	U	J	S	U
M	A	R	K	E	T	S	T	R	U	C	T	U	R	E	T	P

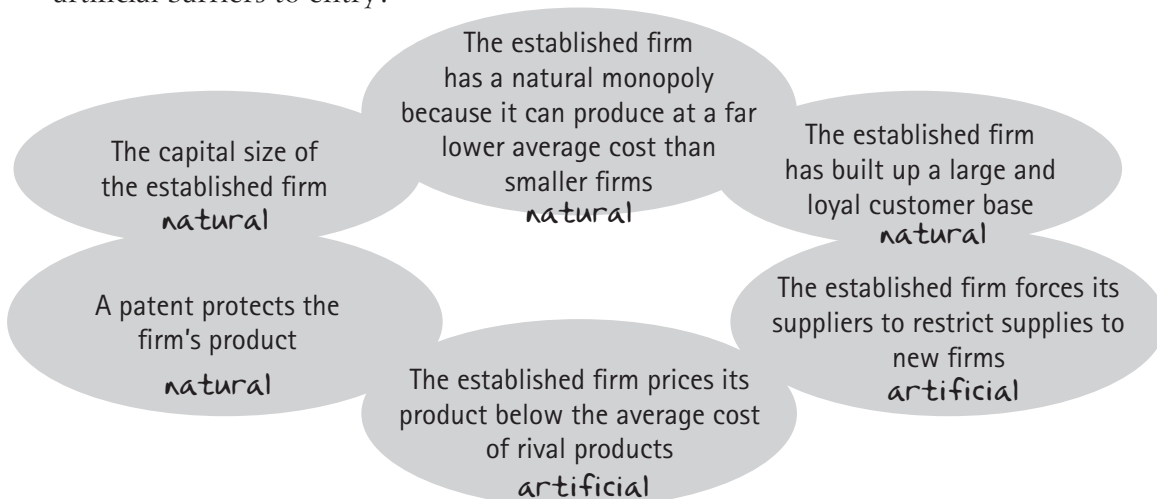
- ▶ A firm or group of firms acting together to control the market supply of a good or service **monopoly**
- ▶ The degree of competition there is between firms to supply a market **market structure**
- ▶ The proportion of total sales revenue or volume sold in a particular market by an individual firm **market share**
- ▶ A formal agreement between firms to control market supply and set the market price **cartel**
- ▶ When firms act together to fix the market price of a product **collusion**
- ▶ A type of monopoly in which two firms control the entire market supply of a product **duopoly**
- ▶ A type of monopoly when only one firm controls the entire market supply of a product **pure**
- ▶ A firm may be granted one of these from a government to protect its new product or innovation from being copied, thereby providing it with a legal monopoly **patent**
- ▶ A type of market in which the market supply is dominated by a handful of firms **oligopoly**
- ▶ An excess of profit earned by a monopoly over and above what it would otherwise have earned had there been competition in its market **abnormal**
- ▶ A highly destructive pricing strategy fought between a handful of competing firms each trying to undercut their rivals to force them out of the market **price war**

- ▶ A pricing strategy used by a monopoly to deter new competition by setting product price below the average cost per unit of the new firm **destruction**
- ▶ A pricing strategy often used by new firms, or firms introducing new products to a market, that aims to quickly grow consumer demand and expand market share **expansion**
- ▶ Obstacles, either occurring naturally or created artificially by a dominant firm or group of firms acting together, to restrict competition and stop new firms from entering their market **barriers to entry**
- ▶ A term used to describe organizational slack and poor cost control in a monopoly firm because it lacks a competitive threat to its market position and profits **x inefficiency**
- ▶ A term used to describe a market to which there are few entry barriers and it is easy for new firms to enter to compete with established firms for their market share and profits **contestable**

2. Competition in the following market between a small number of large dominant firms is fierce. Imagine now they agree to collude to raise the market price. Show how they would do this and the impact it would have in the market diagram.



3. A monopoly can restrict competition from new firms in a number of ways. Which of the following describe natural barriers to entry and which are artificial barriers to entry?



4. What do the following statements describe?

Rivalry between producers which involves each one trying to distinguish or differentiate its product from competing products on attributes such as product design and features, packaging and customer service. It typically involves promotional activities and new product development. Firms often engage in this form of rivalry to avoid costly price wars.

Non-price competition; product differentiation; imperfect competition

A market structure in which there are a large number of firms with the same costs competing to supply an identical product and an equally large number of consumers wishing to buy it. No one firm or consumer therefore has any influence over the market price.

Perfect competition

Promotional communications designed to create or boost consumer wants for a product, often by creating strong brand images to encourage customer loyalty.

Advertising